REGIONAL INDUSTRY PROFILE FOR CAFTA
Food Processing and Packaging Equipment (FPP)

One of the Top 10 export sectors for U.S. companies. The U.S. is the leader in equipment exports to Central America.

MARKET OVERVIEW

- Total market size for food processing and packaging equipment will increase by 10-15% per year over the next three years. Passage of the U.S. – Central America Free Trade Agreement should ensure market viability in the long term, as much of the imported equipment will be used to generate exports to other markets. Although locally made equipment is competitively priced, it is also of lesser quality and of lower technology. Central American companies must ensure rigorous quality control at all production stages to meet international standards, and must also ensure the safe packaging of products for transportation.

- All export-related industries are modernizing and expanding production plants to become more competitive. The new focus is to produce value-added products to export. These new products will result in demand for additional food processing and packaging machinery and equipment to convert raw material or semi-finished goods. However, U.S. manufacturers must adapt their products to the demands of Central American producers and exporters.

- Ninety percent of all food-related manufacturing companies are SMEs. Processing and packaging equipment is sold to large poultry processors, the sugar cane industry, beverage manufacturers, hotels, hospitals, bakeries, breweries, canneries, dairies, manufacturers of fruit juices, and supermarkets.

PRINCIPAL SUB-SECTORS

Based on projections by equipment importers, the following equipment has been described as having the best sales prospects:

- Commercial and industrial stoves and ovens, electric or LP gas operated
- Fryers
- Hot and cold tables/dispensers
- Food processing equipment in general
- Cutters
- Slicers
- Dough mixers
- Meat preparation machinery
- Industrial refrigerators and freezers; spare parts
- Food packaging and labeling machines
- Machines to package and seal frozen food
- Vending machines

U.S. POSITION

- Food processing and packaging equipment made in the United States enjoys a high level of recognition and acceptance, as well as a reputation for high quality. U.S. equipment is considered to be more practical than other imported equipment, especially since service and parts are generally easy to procure from the nearby U.S. market.

- The elimination of tariffs for products in these sectors under CAFTA will make U.S. equipment more price-competitive. Other advantages for U.S. products: virtually no import restrictions; similar standards to the U.S.; a variety of qualified agents and distributors available; and the growing use of English in local commerce.

COMPETITION

- There are very few Central American manufacturers of equipment. Some basic equipment is made locally, but there is little in terms of sophisticated or automated processing and packaging equipment.

- Latin American countries such as Brazil, Colombia, Argentina and Mexico, have strongly increased their market share. Germany, Spain, Sweden, Italy, Denmark and the Netherlands are the traditional European competitors. Both represent a serious threat to the U.S. lead position.

IMPACT OF CAFTA

- With a CAFTA agreement, more than 80% of all U.S. exports of consumer and industrial goods will become duty free in Central America immediately, with remaining tariffs phased out over 10 years.

- The CAFTA agreement establishes a secure, predictable legal framework for U.S. investors in Central America.

PROMISING COMMERCIAL OPPORTUNITIES

- Expectations are that region exports of processed foods to the U.S. will increase substantially with CAFTA, thus generating increased demand for machinery needed to expand production and improve quality. U.S. manufacturers have a new opportunity to recover market share, particularly due to the strength of the Euro. As purchase decisions in important companies are mostly based on technological specifications and product reliability, Latin American brands generally cannot compete with imports from the U.S.

- To capitalize on this opportunity, U.S. manufacturers must focus on two key issues: equipment offered must add value to Central American raw materials, and equipment size and machinery production volumes must be in line with the smaller scale operations of Central American companies.

- Exporters of U.S. manufactured equipment should also benefit as a consequence of American operations in Central America that select the same providers as their U.S.-based operations. Consequently, U.S. manufacturers should look to make partnerships with North American companies that plan to invest in Central American operations.

- Significant investment will be mainly by big companies, in response to cost-performance and quality enhancement market requirements, particularly for perishable products. New stores and modernization of hotels, cafeterias, fast food restaurants, franchises, bakeries, sandwich stands, cyber cafes, booths, etc., offer good prospects for U.S. products.

CONTACT INFORMATION

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